



Fujikon Industrial Holdings Limited

富士高實業控股有限公司

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Fujikon Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("Fujikon" or the "Group") for the six months ended 30th September, 2001, as follows:

CONSOLIDATED INCOME STATEMENT

| | | Six months ended | |
|-------------------------------------|-------------|------------------|-----------------|
| | | 30th September, | |
| | | 2001 | 2000 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (unaudited) |
| Turnover | 2 | 257,763 | 291,431 |
| Cost of sales | | (181,592) | (205,693) |
| Gross profit | | 76,171 | 85,738 |
| Other revenue | | 60 | 60 |
| Distribution and selling expenses | | (10,063) | (12,653) |
| General and administrative expenses | | (36,058) | (30,752) |
| Profit from operations | 3 | 30,110 | 42,393 |
| Interest income | | 2,117 | 2,544 |
| Interest expense | | (352) | (3) |

| | | | |
|--|---|------------------|------------|
| Profit before taxation | | 31,875 | 44,934 |
| Taxation | 4 | (5,879) | (8,076) |
| Profit after taxation but before minority interests | | 25,996 | 36,858 |
| Minority interests | | (566) | (344) |
| Profit attributable to shareholders | | 25,430 | 36,514 |
| Interim dividend of 2.5 cents (2000-2.5 cents) per ordinary share | | 8,990 | 8,990 |
| Earnings per share | 5 | | |
| -Basic | | 7.1 cents | 10.2 cents |
| -Diluted | | 7.1 cents | 10.1 cents |

NOTES:

1. Basis of preparation

The interim financial report for the period ended 30th September, 2001, is unaudited, but has been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"), by Arthur Andersen & Co, whose unmodified review report is included in the Interim Report to be sent to shareholders.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA.

The same accounting policies adopted in the 2000/2001 annual report have been applied to the interim financial report except for the change in accounting policy with respect to dividend recognition as described below.

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) "Events after the balance sheet date", issued by the HKSA, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared or proposed by the directors. As a result of this change in accounting policy, the Group's net assets at 31st March, 2001 has been increased by \$16,182,000. There is no impact on the Group's profit attributable to shareholders for the periods presented. This new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

2. Turnover

The Group's turnover by major product and operational category and geographic location, together with their respective contributions to profit before taxation is analysed as follows:

| | Turnover | | Profit before taxation | |
|---|------------------|-----------------|------------------------|-----------------|
| | Six months ended | | Six months ended | |
| | 30th September, | | 30th September, | |
| | 2001 | 2000 | 2001 | 2000 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Major product and operational category- | | | | |
| Electro-acoustic products | | | | |
| Audio headsets | 106,245 | 119,467 | 15,396 | 23,192 |
| Communication headsets | 53,718 | 54,244 | 10,831 | 13,183 |
| Multimedia speakers and headsets | 35,513 | 50,013 | 147 | 71 |
| Microphones | 5,916 | 9,711 | 851 | 2,302 |
| Electronic products, accessories and others | 56,371 | 57,996 | 4,650 | 6,186 |
| | 257,763 | 291,431 | 31,875 | 44,934 |

| | Turnover | | Profit before taxation | |
|-------------------------------------|------------------|-----------------|------------------------|--------|
| | Six months ended | | Six months ended | |
| | 30th September, | | 30th September, | |
| | 2001 | 2000 | 2001 | 2000 |
| <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| (unaudited) | (unaudited) | (unaudited) | (unaudited) | |
| By geographic location- | | | | |
| North America | | | | |
| -United States of America | 128,025 | 152,876 | 15,832 | 23,571 |
| -Canada | 20,539 | 19,405 | 2,540 | 2,992 |
| Europe | 37,773 | 47,009 | 4,671 | 7,248 |
| Asia Pacific | | | | |
| -Asian countries (other than Japan) | 46,888 | 36,220 | 5,798 | 5,584 |
| -Japan | 19,409 | 30,116 | 2,400 | 4,643 |
| Others | 5,129 | 5,805 | 634 | 896 |
| | 257,763 | 291,431 | 31,875 | 44,934 |

3. Profit from operations

Profit from operations has been arrived at after charging the following:

| | Six months ended | |
|---|------------------|-----------------|
| | 30th September, | |
| | 2001 | 2000 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (unaudited) | (unaudited) | |
| Depreciation of property, machinery and equipment | 8,135 | 6,627 |
| Amortisation of development expenditures | - | |
| | 1,252 | |
| Provision for impairment of long-term investment | 400 | - |

4. Taxation

Taxation consisted of:

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30th September, | |
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current taxation | | |
| - Hong Kong profits tax | 5,647 | 7,139 |
| - Mainland China enterprise income tax | 232 | 110 |
| | 5,879 | 7,249 |
| Deferred taxation | - | |
| | 827 | |
| | 5,879 | 8,076 |

The Company is exempt from taxation in Bermuda until March 2016. Hong Kong profits tax has been provided at the rate of 16% (2000 - 16%) on the estimated assessable profit arising in or derived from Hong Kong. Mainland China enterprise income tax has been calculated at tax rates prevailing in China.

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following:

| | Six months ended | |
|-----------------------|-------------------------|--------------------|
| | 30th September, | |
| | 2001 | 2000 |
| | (unaudited) | (unaudited) |
| Profit for the period | HK\$25,430,000 | HK\$36,514,000 |

| | | |
|--|-------------|-------------|
| Weighted average number of ordinary shares for the purpose of computing basic earnings per share | 359,600,000 | 357,144,000 |
| Effect of dilutive potential ordinary shares - employee share options | 464,000 | 6,094,000 |
| Weighted average number of ordinary shares for the purpose of computing diluted earnings per share | 360,064,000 | 363,238,000 |

6. Reserves

Movements were:

| | Six months ended 30th September, | | | | | | 2000 |
|--|----------------------------------|-----------------|------------------------------|------------------------------------|-----------------|-------------|-------------|
| | 2001 | | 2001 | | 2000 | | |
| | Share premium | Capital reserve | Property revaluation reserve | Cumulative translation adjustments | Retained Profit | Total | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Beginning of period | | | | | | | |
| - As previously reported | 42,156 | 1,594 | 6,557 | 1,243 | 166,812 | 218,362 | 139,576 |
| - Prior period adjustment (Note 1) | - | - | - | - | 16,182 | 16,182 | - |
| - As restated | 42,156 | 1,594 | 6,557 | 1,243 | 182,994 | 234,544 | 139,576 |
| Issue of new shares | - | - | - | - | - | - | 80,910 |
| Capitalisation issue | - | - | - | - | - | - | (26,770) |
| Share issuance expenses | - | - | - | - | - | - | (12,091) |
| Goodwill on acquisition of subsidiaries | - | - | - | - | - | - | (112) |
| Profit attributable to shareholders | - | - | - | - | 25,430 | 25,430 | 36,514 |
| Final dividend for the year ended 31st March, 2001, paid | - | - | - | - | (16,182) | (16,182) | - |

| | | | | | | | |
|--|--------|-------|-------|--------|----------|----------|----------|
| Interim dividend for the period, proposed | - | - | - | - | (8,990) | (8,990) | (8,990) |
| Translation adjustments | - | - | - | (141) | - | (141) | (151) |
| End of period | 42,156 | 1,594 | 6,557 | 1,102 | 183,252 | 234,661 | 208,886 |

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30th September, 2001 (2000: HK2.5 cents). The interim dividend will be paid on 21st January, 2002 to shareholders whose names are registered in the books of the Company on 4th January, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 31st December, 2001 to Friday, 4th January, 2002, both days inclusive. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not later than 4:00 p.m. on Friday, 28th December, 2001.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a very healthy financial position during this period. As at 30th September, 2001, net current assets amounted to approximately HK\$157 million (As at 31st March, 2001: HK\$159 million). The Group's current and quick ratio (excluding the inventory) accounted for 2.28 times (As at 31st March, 2001: 2.73 times) and 1.88 times (As at 31st March, 2001: 2.16 times) respectively. These indicate that the Group is able to meet future obligations without difficulties.

The Group had cash and bank deposit of approximately HK\$128 million (As at 31st March, 2001: HK\$130 million) of which HK\$ 10 million (As at 31st March, 2001: HK\$13 million) were pledged to a bank for short-term loans granted to the Group. About 2.6%, 0.2% and 89.7% of the total cash and bank deposits were denominated in Chinese Renminbi, Japanese Yen and US dollars respectively and the remainder in Hong Kong dollars.

As at 30th September, 2001, the Group had aggregate banking facilities of approximately HK\$245 million (As at 31st March, 2001: HK\$244 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$231 million (As at 31st March, 2001: HK\$230 million).

CAPITAL STRUCTURE

As at 30th September, 2001, the total debts of the Group remained at a very low level of approximately HK\$14 million (As at 31st March, 2001: HK\$12 million). These short-term bank loans, being denominated in Chinese Renminbi and bearing interest at rates ranging from 5.6% to 7% (2000: 6.4%), were secured by the Group's bank deposits being denominated in US dollars and Chinese Renminbi of approximately HK\$9 million (As at 31st March, 2001: HK\$13 million) and HK\$1 million (As at 31st March, 2001 - Nil) respectively.

GEARING RATIO

The Group's gearing ratio as at 30th September, 2001 was 5% (As at 31st March, 2001: 5%), which was calculated based on the total debt of approximately HK\$14 million (As at 31st March, 2001: HK\$12 million) and total equity of approximately HK\$280 million (As at 31st March, 2001: HK\$271 million).

FOREIGN EXCHANGE EXPOSURE

The Group had limited exposure of foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. During the period, the exchange rates of these currencies were relatively stable.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

As at 30th September, 2001, the Group's operations engaged a total of over 4,100 staff and workers. The Group is committed to staff training and has provided regular management and technical courses to its employees.

The remuneration policy of the Group's employees are reviewed and approved by the executive directors. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes,

Mandatory Provident Fund scheme and employee share options for Hong Kong employees, and state-sponsored retirement plans for employees in Mainland China.

The employment costs (including the directors' emoluments) accounted for approximately HK\$44 million (For the six months ended 30th September 2000: HK\$39 million).

COMMITMENTS AND CONTINGENT LIABILITIES

At the end of the period under review, the Group had total outstanding capital commitments of approximately HK\$2 million (As at 31st March, 2001: HK\$7 million). In view of the Group's high level of liquid funds, it has no difficulty to fulfil all these commitments. As at 30th September, 2001, the Company had provided a guarantee of approximately HK\$60 million (As at 31st March, 2001: HK\$60 million) to a bank to secure banking facilities of its subsidiaries.

BUSINESS REVIEW

The period under review was one full of challenges, surrounded by difficult economic conditions on a global basis. Due primarily to increasing weaknesses in consumer spending around the world, the Group's sales were hit by the unfavorable market sentiment. In addition, the Group had made important investments to fuel growth by establishing two production facilities in Eastern China to manufacture quality raw materials and parts for electro-acoustic products. This has led to additional expenses and reduced the Group's earnings temporarily. However, through its focused marketing strategies and commitment to R&D, the Group maintained its gross margins and market share during the review period. The Group is confident that its strengths will further expand its market share and outperform other players in the industry. As the economy recovers, it will provide strong growth impetus for the Group to generate lucrative and satisfactory returns for shareholders.

For the six months ended 30th September, 2001, the Group recorded a turnover of HK\$258 million, a decline of 12% against HK\$291 million in the corresponding period last year. Profits attributable to shareholders were HK\$25.4 million, representing a fall of 30% from the corresponding period last year.

Sales from the three electro-acoustic products for the period present a similar distribution pattern as in the last corresponding period. Audio, communication and multimedia products represent 43.5%, 20.8% and 13.8% of the Group's total turnover respectively, while the remaining portion is attributable to the sales of transformers and other accessories. During the review period, the Group developed a total of 62 new electro-acoustic products

including 17 audio headphones and microphones, 17 communication headsets and 28 multimedia products.

Despite the difficult climate, the Group remains determined and committed to making investments in R&D to strengthen its inventive capabilities and competitive edges. At the recent 2001 Hong Kong Electronics Fair, the Group launched its first generation Bluetooth headset functional prototype, which is able to connect to Ericsson mobile phones. With its state-of-the-art Bluetooth development equipment, professional research team and profound experience, the Group is well positioned to penetrate the Bluetooth market and outpace other competitors in the industry.

Further to the establishment of the two new production facilities in Ningbo and Suzhou, the PRC this year, the Group set up a representative office in Osaka, Japan in September 2001 to enhance client communications in the region. Capital expenditure during the six months ended 30th September, 2001 was HK\$21 million which was mainly used to expand the two new facilities. The Group's efforts to extend its vertical integration manufacturing system have gained traction with satisfactory results particularly since the two new facilities commenced production. Both investments are expected to make a contribution to Group's earnings in the later half of the next fiscal year.

The ODM and OEM businesses accounted for 43.9% and 52.1% of the Group's revenues respectively during the period. As a result of its commitment to quality management and customer services, the Group has successfully obtained new clients including such well-known industry names as Sanyo Electronics Components Co., Ltd. and the Dixons Group. Geographically, North America continues to contribute the most of the Group's revenues, representing 57.6% of the total turnover. Sales from the Asia Pacific (excluding Japan) during the review period increased by 29.5% from that of last corresponding period. As China is now a member of WTO, the Group anticipates further growth in sales from the region as it leverages its established facilities and expertise in the industry.

PROSPECTS

Being one of the fastest growing economies in the world, China gained a triumphant entry into WTO in November this year. The membership will generate greater trade and investment to benefit businesses, customers and workers throughout the economy. The market liberation of goods and services from other WTO members has also given the Group a vote of confidence in the consumer market. People are more willing to spend as living standards improve, stimulating demand for consumer products and services. According to telecommunications professionals in the region, the annual growth rate of mobile phone subscribers in the PRC is expected to grow to approximately 50 million for the next two

years. As a result, this will create opportunities for a huge demand for mobile accessories. To capture the thriving consumer market in the PRC, the Group plans to establish a new facility at Dongguan next year to serve in domestic sales operations in the country. The Group is also committed to extending the PRC distribution network through its Suzhou facility to act as a development base in the Eastern region.

Audio headphones and microphones will continue to account for the largest sales among the three core product categories of the Group in the coming year. Past research data has shown a continual upward sales trend for electro-acoustic products irregardless of market fluctuations. With steady sales records and relatively higher margins, the Group is committed to developing a diversified and innovative product line with value-added features to meet customer needs.

As businesses realize the significance of reliable information technology ("IT") systems to achieve optimal efficiency, the Group is optimistic with regard to growth in the personal computer market despite the current depressed IT industry. According to the latest research data from Gartner's analysts, the compound annual growth rate of the worldwide PC shipment from the year 2001 to 2004 will be 9.93%. The increasing popularity of the Internet, broadband and e-commerce applications together with China's WTO entry will continue to create huge opportunities for business expansion in the Group's multimedia headsets and speakers.

The legal requirement for drivers to use hands-free mobile phones in various countries will continue to offer long-term growth for communication headsets. Additionally, the emergence and applications of Bluetooth technology will also create increasing demands for Bluetooth headphones developed by the Group. Equipped with strong R&D capabilities for electro-acoustic products, it will continue to develop wireless technologies and its first Bluetooth communication headset will be introduced to the market in mid 2002. On the other hand, the Group will also launch its self-developed 800-900 MHz wireless radio frequency audio headphones early next year. Currently, the Group is undergoing negotiations with several large OEM enterprises for the provision of these headphones.

Leveraging its strong financial status, broad client base, innovative R&D team, quality assurance system and profound experiences in the industry, Fujikon expects to be in an even stronger position, bringing in better growth and returns for its shareholders as the economy rebounds.

DEALING IN COMPANY'S LISTED SECURITIES

During the period ended 30th September, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities up to the date of this report.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period ended 30th September, 2001, save that a non-executive director and the independent non-executive directors of the Company are not appointed for a fixed term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information of the interim results of the Group for the period ended 30th September, 2001 required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited before 31st December, 2001.

On behalf of the Board of Directors
Yeung Chi Hung, Johnny
Chairman

Hong Kong, 7th December, 2001.